

Bill No. 36-10  
Concerning: Finance – Revenue  
Stabilization Fund – Amendments  
Revised: June 28, 2010 Draft No. 4  
Introduced: May 27, 2010  
Enacted: June 29, 2010  
Executive: \_\_\_\_\_  
Effective: \_\_\_\_\_  
Sunset Date: None  
Ch. \_\_\_\_\_, Laws of Mont. Co. \_\_\_\_\_

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

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By: Council President at the Request of the County Executive

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**AN ACT** to:

- (1) repeal the limit on the size of the Revenue Stabilization Fund;
- (2) modify the requirement for mandatory County contributions to the Revenue Stabilization Fund; and
- (3) generally amend the law governing the Revenue Stabilization Fund.

By amending

Montgomery County Code  
Chapter 20, Finance  
Article XII  
Sections 20-65, 20-66, 20-68, 20-69, 20-70, 20-71 and 20-72

By repealing

Montgomery County Code  
Chapter 20, Finance  
Article XII  
Section 20-67

<b>Boldface</b>	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

*The County Council for Montgomery County, Maryland approves the following Act:*

**Sec. 1. Sections 20-65, 20-66, 20-68, 20-69, 20-70, 20-71 and 20-72 are amended and Section 20-67 is repealed as follows:**

**20-65. Definitions.**

In this Article the following terms have the following meanings, unless the context clearly indicates a different meaning:

[(a)] *Actual total revenues* means the combined total of income tax, real property transfer tax, recordation tax, and investment income, as reported in the County's annual financial report.

Adjusted Governmental Revenues means tax-supported County Governmental Funds revenues, plus revenues of the:

(1) County Grants Fund;

(2) County Capital Projects Fund;

(3) tax supported funds of the Montgomery County Public Schools, not including the County's local contribution;

(4) tax supported funds of Montgomery College, not including the County's local contribution; and

(5) tax supported funds of the Montgomery County portion of the Maryland-National Capital Park and Planning Commission.

[(b)] *Certified revenues* means revenues derived each fiscal year from the income tax, real property transfer tax, recordation tax, and investment income of the General Fund as certified by the Director on or before June 15.]

[(c)] *Debt Service Fund* means the fund used to accumulate funds to pay general long-term debt principal, interest and related costs.]

[(d)] *Director* means the Director of the Department of Finance.

Excess revenue means the amount, if positive, by which actual total revenues from the income tax, real property transfer tax, recordation

tax, and investment income of the General Fund for the fiscal year exceed the original projections for these amounts.

[(e)] *Fund* means the Revenue Stabilization Fund created under this Article.

[(f)] *General Fund* means the general operating fund of the County which is used to account for all revenues and expenditures, except revenues and expenditures required to be accounted for in another fund.

[(g)] *Income tax* means the County income tax imposed under state law.

[(h)] *Investment income of the General Fund* means income from the investment of revenues that is reported in the General Fund.

[(i)] *Original projection* means the projection of total General Fund revenues for the next fiscal year approved by the County Council in the "Schedule of Revenue Estimates and Appropriations" resolution or any similar resolution.

[(j)] *Real property transfer tax* means the tax imposed under Sections 51-19 et. seq.

[(k)] *Recordation tax* means the tax imposed under Sections 12-101 et. seq., Tax-Property Article, [Annotated Code of] Maryland Code.

[(l)] *Revised forecast* means any revised projection of total General Fund revenues for the next fiscal year prepared by the Department of Finance.

Total reserve means the sum of the reserve in the Fund plus the Unrestricted General Fund Balance.

Unrestricted General Fund Balance means the residual portion of the General Fund fund balance that has not been reserved, restricted, or encumbered for later years' expenditures.

**20-66. Revenue Stabilization Fund.**

- (a) The Director may establish a Revenue Stabilization Fund to support appropriations which have become unfunded.
- (b) The Fund is continuing and non-lapsing.
- (c) The Fund is in addition to any surplus that is accumulated under Section 310 of the County Charter.

**20-67. [Fund sources and maximum size.] Reserved.**

- [(a) The Fund must not exceed 10 percent of the average aggregate annual revenue derived from the income tax, real property transfer tax, recordation tax, and investment income of the General Fund in the 3 preceding fiscal years.
- (b) The Director must compute the maximum amount of the Fund annually and report that amount to the County Council not later than June 15.
- (c) The Fund is in addition to any surplus that may be accumulated under Section 310 of the County Charter.]

**20-68. Mandatory contribution to Fund.**

[(a) Subject to the limit set in Section 20-67(a), the] The mandatory annual contribution to the Fund must equal the greater of:

- (a) [50 percent of the product of the certified revenues estimated for the current fiscal year times the difference between:
  - (1) the annual percentage increase in the certified revenues projected for the next fiscal year, and
  - (2) the average annual percentage increase in the certified revenues collected in the 6 fiscal years immediately preceding the next fiscal year.] 50 percent of [[the]] any excess revenue [[amount

by which actual total revenues from the income tax, real property transfer tax, recordation tax, and investment income of the General Fund for the next fiscal year exceed the original projections for these amounts]; or

(b) an annual amount [[that does not exceed]] equal to the lesser of 0.5 percent of the Adjusted Governmental Revenues [[for the current year, but which does not result in the sum of the current year-end projected Unrestricted General Fund Balance and the Fund to exceed]] or the amount needed to obtain a total reserve of 10 percent of the Adjusted Governmental Revenues.

[(b) A growth or decline in certified revenues which results from either an increase or decrease in County tax rates must be:

- (1) excluded from revenues projected for the next fiscal year, and
- (2) phased in in the average annual percentage increase calculation in the third, fourth, fifth and sixth years.

(c) If actual total revenues from the income tax, real property transfer tax, recordation tax, and investment income of the General Fund for the next fiscal year exceed the original projection, then 50 percent of the excess must be transferred to the Fund if doing so will not result in the 10 percent limit in Section 20-67(a) being exceeded.]

**20-69. Discretionary contributions to Fund.**

The County Executive may recommend and the County Council may by resolution approve additional contributions to the Fund [if doing so will not result in the 10 percent limit in Section 20-67(a) being exceeded].

**20-70. Transfer of contributions.**

The Director must transfer the mandatory contributions required by Section 20-68 and any discretionary contributions under Section 20-69 from the General [fund] Fund to the Fund at the end of each fiscal year.

**20-71. Interest.**

All interest earned on the Fund must be added to the Fund. [However, the Director must transfer interest earned on the Fund when the Fund exceeds 50 percent of the maximum Fund size authorized by Section 20-67(a) to the Debt Service Fund as an offset to the approved issuance of general obligation debt.]

**20-72. Use of Fund.**

[(a) After holding a public hearing and seeking the recommendation of the Executive, and if the Council finds that reasonable reductions in expenditures are not sufficient to offset the shortfall in revenue, the Council may by resolution approved by the Executive transfer an amount from the Fund to compensate for no more than half of the difference between the original projection of total General [fund] Fund revenues for that fiscal year and a revised forecast of the General Fund revenues projected for the same fiscal year. If the Executive disapproves a resolution within 10 days after it is transmitted and the Council readopts it by a vote of 6 Councilmembers, or if the Executive does not act within 10 days after it is transmitted, the resolution takes effect.]]

[(b) However, a transfer must not be approved unless 2 of the following conditions are met:

- (1) The Director estimates that total General Fund revenues will fall more than 2 percent below the original projected revenues.

(2) Resident employment in the County has declined for 6 consecutive months compared to the same month in the previous year.

(3) The ~~[local]~~ most recent regional index of leading economic indicators, published by the Center for Regional Analysis, George Mason University, or a successor index determined by the Department of Finance, has declined for 3 consecutive months.]]

[[c) The cumulative transfers from the Fund in any single fiscal year must not exceed half of the balance in the Fund at the start of that fiscal year.]]

[[d) The funds transferred may only be used to support appropriations which have become unfunded.]]

[[e)] By an affirmative vote of 6 Councilmembers, the Council, after holding a public hearing, reviewing relevant economic indicators, and seeking the recommendation of the Executive, may transfer ~~[[amounts]]~~ any amount from the Fund to the General Fund ~~[[without regard to the limits and conditions in subsections (a)-(c)]]~~ to support appropriations which have become unfunded.

149 *Approved:*

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151 *Nancy Floreen* *6/30/10*  
 152 Nancy M. Floreen, President, County Council Date

153 *Approved:*

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156 Isiah Leggett, County Executive Date

157 *This is a correct copy of Council action.*

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160 Linda M. Lauer, Clerk of the Council Date